

# Big Beautiful Bill: U.S. tax bill and its impact on remittances

The U.S. House of Representatives is seeking to pass a new tax reform bill dubbed the "**Big Beautiful Bill,**" proposed by President Donald Trump. This initiative is part of his goal of **reducing taxes and funding his immigration agenda.**

- The bill contemplates, among other mechanisms, applying a **5% tax on remittances sent from the U.S. to Mexico.**
- The initiative has sparked debate, as it could **increase the fiscal deficit,** which has divided support in Congress. In Mexico, taxing remittances would affect millions of households that rely on these payments as a key source of income.
- Furthermore, this proposal coincides with the **recent loss of the U.S.'s perfect credit rating** by Moody's due to the growing fiscal deficit and concerns about the government's ability to pay back its debt.

The initiative still needs to be approved by Congress, and if so, it would take effect on **December 31, 2025.**

## Bill proposals:

- 1. Tax cuts and increases in tax deductions:** The largest share of the cuts would benefit people earning more than \$400,000 a year.
  - **It includes eliminating taxes on tips** and overtime, and expanding child tax credits.
  - The tax cut would be worth about \$3.8 billion.
- 2. Cuts to social programs:** Reducing the Medicaid program, which **would leave more than 8 million people without health insurance,** and cutting the program that provides monthly assistance through food stamps.

## Reform proposals:

3. **Immigration: Increase funding to build the border wall**, hire Border Patrol agents, build detention centers, and reduce illegal immigration. Funding could reach up to \$140 billion dollars.
4. **Energy:** Seeks to **eliminate tax credits for electric vehicles and clean energy initiatives.**
  - At the same time, the government seeks to raise approximately \$20 billion dollars from the sale of new oil and gas leases in the Gulf of Mexico and Alaska.
5. **Education: Increase taxes on universities** and cut \$330 billion dollars in student loan forgiveness from the Biden administration.
6. **Increased military spending:** Direct an additional \$150 billion dollars to **military spending for shipbuilding and missile defense systems.**
7. **Debt:** Increase legal limit on U.S. national debt by \$4 billion.

## Progress of the legislative process:

- The bill was introduced in the House of Representatives on May 12, 2025. Its discussion in the relevant committees began on that date.
- On May 16, **five conservative Republican lawmakers blocked the bill and requested changes**, citing concerns that it would increase the fiscal deficit and due to differing priorities and interests within the Congress.
- On May 18, **the House Budget Committee approved the bill by a majority.** House Speaker, Mike Johnson reported that the approved bill contains modifications, but did not provide details.
  - The plan was approved with 17 votes in favor from Republican representatives and 14 against from Democrats.
- The **bill is scheduled to be discussed in the House plenary session on Monday, May 19**, before going through parliamentary proceedings in the Senate (which also has a Republican majority).
  - First, it will have to go through the Committee on Rules.

## Impact of the remittance tax:

- In 2024, remittances sent from the U.S. to Mexico represented a record **\$64.745 billion**<sup>1</sup>, reflecting their fundamental role as a source of income for millions of Mexican families.
- The 5% tax will apply to all remittances sent by **individuals who are not U.S. citizens**, including nonimmigrant visa holders (such as H-1B and F-1 visas) and permanent residents (green cards); with no exceptions for small amounts.
- It is estimated that this measure **could directly affect 40 million workers in the U.S.**, most of them of Latin American origin.
- On average, **remittances represent 18% of the income generated by migrants in the U.S.**<sup>2</sup>, while the remainder stays in the North American economy.
- Nationally, **remittances in Mexico represent 3.4% of economic activity**. However, there are states where this proportion is much higher, making them especially vulnerable:
  - **Chiapas**, where remittances represent 14.3% of GDP;
  - **Guerrero** with 13.7%.
  - **Michoacán**: 11%.
  - **Zacatecas**: 10.8%.
  - **Oaxaca**: 9.5%.<sup>3</sup>
- Migrants are particularly sensitive to the costs of remittances, so this can seriously affect remittances to families in Mexico.
- Furthermore, it has been pointed out that **the tax constitutes double taxation**, since migrants already pay income tax in the U.S.
- The measure could also backfire on Donald Trump's goal of reducing irregular migration, as by disrupting the flow of money to vulnerable communities, **it could encourage more people to migrate to the U.S.**
  - Additionally, undocumented migrants may have to seek informal alternatives for sending remittances.

## Mexico's response:

- President **Claudia Sheinbaum expressed her opposition to the tax** on remittances, calling the proposal an "unfair" measure that would primarily affect low-income people.
- On May 13, the Mexican government sent a letter to the U.S. **expressing her disagreement with the proposal** and requesting its withdrawal.
- Sheinbaum also raised the need to **establish channels of dialogue with the U.S. Congress** to remove this measure from the tax bill.
- She also stressed that the tax violates the double taxation agreement between the two countries.

## References:

<sup>1</sup>Aristegui Noticias. (2025). Cámara de Representantes de EU destraba propuesta para gravar remesas con 5%.

<sup>2</sup>Montes, R. (2025). México envió carta a legisladores de EU para reconsideración de impuesto a remesas. Milenio.

<sup>3</sup>La Jornada. (2025). En "inusual votación", avanza plan de EU para gravar remesas.